

Instr: 201008260032720
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Rick Campbell 2:03PM LEAS
Stark County Recorder T20100026976

OIL AND GAS LEASE

THIS AGREEMENT, made and entered into this 31st day of May, 2010
by and between **Thomas G. & Tammy J Tokos (H&W) 12379 Louisville St NE Paris, Ohio 44669**
hereinafter called the Lessor and **North American Petroleum, Inc. P.O. Box 714 Wooster, Ohio 44691**,
hereinafter called the Lessee, WITNESSETH:

1. **Leasing** That the Lessor, for and in consideration of One Dollar (\$1.00) does hereby lease and let exclusively unto the Lessee, for the purpose of drilling, operating for, producing and removing oil and gas, and to transport by pipelines across and through said lands oil, gas and their constituents from the subject land and other lands, regardless of the source of such gas or the location of the wells, which right to transport gas from other properties across the leasehold premises shall survive the term of this lease for so long as the transportation of such gas may be desired by the Lessee, and placing of tanks, equipment, roads and structures thereon to procure and operate for the said products, together with the right to enter into and upon the leased premises at all times for the aforesaid purposes, being all that certain tract() of land () situated in Section/Lot 32 of Washington Township, Stark County, Ohio. Bounded as follows:

North: **Schmucker**

South: **Blim, Small Lots**

East: **Beaber**

West: **Conrad, Blim**

Containing 101.20 acres, more or less. Lessee and Lessor must mutually agree upon items regarding location of said well(s), tank batteries, roads, pipelines and other improvements and to the extent feasible, place them at sites that are satisfactory to the Lessor also.

2. **Term**. This lease and the rights granted hereunder shall continue in force for a term of 24 Months and so much longer thereafter as oil or gas or their constituents are produced or are capable of being produced.

3. **Delay Rental**. This lease however shall cease and terminate unless within 24 months from the date hereof, a well shall be commenced on the premises. Lessee agrees to pay Lessor the sum of Twenty Dollars (\$20.00) per acre within sixty days of the signing of this lease.

4. **Royalties**. In consideration of the premises, the Lessee covenants and agrees:

- (A) To deliver to the credit of the Lessor in tanks or pipeline, as royalty, free of cost, the equal one-eighth (12.5%) of all oil produced and saved from the premises, or at the Lessee's option to pay Lessor the market price for six one-eighth (12.5%) royalty oil at the published rate for oil of like grade and gravity
- (B) To pay to the Lessor, as royalty for the gas marketed and used off the premises and produced from each well drilled thereon, the sum of one-eighth (12.5%) of the price paid to the Lessee per thousand cubic feet of such gas so marketed and used, less any charges for transportation and/or compression paid by Lessee to deliver the gas for sale.
- (C) Payment of royalty for both oil and gas marketed during any calendar month to be on or about the 30th day after receipt of such funds by the Lessee. Lessee to deduct from payments in (A) and (B) above from receipts of proceeds by lessee, Lessor's pro-rata share of any tax imposed by any governmental body.

5. **Free Gas**. The lessor may take gas produced from one gas well for domestic use on the leased premises, at Lessor's Own risk, subject to the use and the right of abandonment of the well by the Lessee, and subject to any curtailments or shut-in by any purchaser of the gas. The first two hundred thousand cubic feet of gas taken each year shall be free of cost, but all gas in excess of two hundred thousand cubic feet taken in each year shall be paid for at the then current wellhead price. Lessor to arrange for the laying of the gasoline and furnish regulators and other necessary equipment at Lessor's expense. Lessee shall install a meter to measure said gas. If the Lessor shall



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take excess gas as aforesaid in any year and fail to pay for same, the Lessee may deduct payment for such excess gas from any rentals or royalties accruing to the Lessor hereunder. Lessor acknowledges that he has been advised to the risks inherent in the taking of gas in this manner, and Lessor agrees to assume all such risks whether same be caused by Lessor's lines or equipment, or whether same be caused by Lessee's equipment or well operations, and Lessor agrees to hold Lessee and the well operator and all parties in interest in any well on the leasehold premises harmless from any claims of any nature whatsoever which may result by the usage of gas from any such well by Lessor, his heirs or assigns.

6. Shut-in Royalty. In the event a well drilled hereunder is a producing well and the Lessee is unable to market the production therefrom, or should the Lessee desire to shut-in producing wells, the lessee agrees to pay the lessor the sum of \$10.00 per acre per year until said wells are placed back into production.

7. Consideration. The consideration, royalties paid and to be paid, as herein provided, are and will be accepted by the Lessor as adequate and full consideration for all the rights herein granted to the Lessee, and the further right of drilling or not drilling on the leased premises.

8. Consolidation. The Lessor hereby grants to the Lessee the right at any time to consolidate the leased premises or any part thereof or strata therein with other lands to form an oil and gas development unit of not more than 160 acres, or such larger unit as may be required by state law or regulation for the purpose of drilling a well thereon.

9. Apportionment of Payments. In case the Lessor owns a less interest in the above described premises than the entire and undivided fee simple therein, then the royalties and rentals herein provided for shall be paid to the Lessor only in the proportion which such interest bears to the whole and undivided fee. If said land is owned by two or more parties, or the ownership of any interest therein should hereafter be transferred by sale, devise or operation of law, said land, nevertheless, may be held, developed and operated as an entirety, and the rentals and royalties shall be divided among and paid to such several owners in the proportion that the acreage owned by each such owner bears to the entire leased acreage.

10. Agreement. The Lessee and Lessor must mutually agree on the right to assign and transfer the within lease in whole or in part. Such right shall not be unreasonably withheld.

11. Other Rights, Lessor. The Lessee shall bury all pipelines used to conduct oil or gas to, on, through and off the premises and pay all damages to growing crops caused by operations under this lease. Lessee agrees to restore the premises to its original condition in accordance with state laws. Any damages, if not mutually agreed upon, to be ascertained and determined by three disinterested persons, one thereof to be appointed by the Lessor, one by the Lessee, and the third by the two so appointed, and the award of such three persons shall be final and conclusive and binding to all parties. Each party shall pay the cost of their appraiser and shall share the cost of the third appraiser. Arbitration shall be mandatory.

12. Other Rights, Lessee. The Lessee shall have the right at any time during or after the expiration of this lease to remove all pipe, well casing, machinery, equipment, or fixtures placed on the premises. The Lessee shall have the right to surrender this lease or any portion thereof by written notice to the Lessor describing the portion by which it elects to surrender, or by returning the lease to the Lessor with the endorsement of surrender thereof, or by recording the surrender or partial surrender of this lease, any of which shall be a full and legal surrender of this lease as to all of the premises.

13. Warranty. In consideration of the acceptance of this lease by the Lessee, the Lessor agrees for himself and his heirs, personal representatives, successors and assigns, that no other lease for the minerals covered by this lease shall be granted by the Lessor during the term of this lease or any extension or renewal thereof granted to the Lessee herein.

14. Successors and Assigns. All covenants and conditions between the parties hereto shall extend to their heirs, personal representatives, successors and assigns, and the Lessor hereby warrants and agrees to defend the title to the lands herein described. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof and no implied covenant, agreement or obligation shall be read into this agreement or imposed upon the parties or either of them. Lessor further agrees to sign such additional documents as may be reasonably requested by Lessee to perfect Lessee's title to the oil and gas leased herein and such other documents relating to the sale of production as may be required by Lessee or others.

15. Other.

The Lessee agrees to maintain the Lessor's driveway to the tank battery site. Additionally, Lessee agrees to upgrade Lessor's drive to handle heavy drilling and completion equipment. Lessee is aware that said driveway is Lessor's only means of access and shall work to maintain Lessor's access at all times during drilling, completion and operation of the well. Lessee agrees to provide a layering of stone, one time to Lessor's home. Lessee agrees to allow Lessor to clean said driveway during periods of snow fall. Lessee agrees to pay Lessor for said service at the then current rate for snow plowing to be mutually agreed upon by Lessee and Lessor. Lessee agrees to provide temporary fencing along the southern boundary of Lessor's pasture during the drilling and completion of the well. Lessee shall test Lessor's water well prior to and after drilling. Lessee is aware that said water well is Lessor's sole source for water. If it can be determined

that Lessor's water supply has been compromised in any way, such as, quantity or quality, by Lessee's operations, Lessee agrees to provide for the restoration of Lessor's water supply. This could include the drilling of a new well and/or the addition of water softening equipment. Should Lessor decide not to use the lease gas, lessee agrees to pay lessor for said gas at the then current well head price.

IN WITNESS WHEREOF,

the parties hereto have hereunder set their hand and Seals.

Witness:

Signature

Thomas G. Tokos

Please Print Name: THOMAS G. TOKOS

Witness:

Signature

Tammy J. Tokos

Please Print Name: TAMMY J. TOKOS

STATE OF OHIO

Before me, a Notary Public in and for the said county and state, personally appeared the above named, THOMAS G & TAMMY J. TOKOS (HUSBAND & WIFE), who acknowledged to me that THEY did execute the foregoing instrument and that the same is THEIR free act and deed of the uses therein set forth.

Notary Public

ROBERT S. FROCK
My Comm. EXPIRES 2/2/15

STATE OF OHIO
COUNTY OF

Before me, a Notary Public in and for the said county and state, personally appeared the above named, _____, who acknowledged to me that _____ did execute the foregoing instrument and that the same is _____ free act and deed of the uses therein set forth.

Notary Public

This instrument was prepared by:

North American Petroleum, Inc.
P.O Box 714
Wooster, OH 44691